

The Global Newspaper
Published in Paris
Printed simultaneously
in Paris, London, Zurich,
Hong Kong, Singapore,
The Hague, Manila, Miami

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

No. 32,204 36/86

PARIS, FRIDAY, SEPTEMBER 5, 1986

ESTABLISHED 1887

Arrest of Newsman Could Hurt Summit Prospects, U.S. Says

By Bernard Weinraub
New York Times Service

SANTA BARBARA, California — White House officials have said that the detention of an American reporter in Moscow could affect prospects for a U.S.-Soviet summit.

The officials made the comments Wednesday after confirming that the United States had made a protest to the Soviet government.

The detention of a reporter from China may be linked to a reported defection, Page 5.

ability of a meeting this year between President Ronald Reagan and Mikhail S. Gorbachev, the Soviet leader.

In Washington, the State Department warned Thursday of "adverse consequences" in U.S.-Soviet relations if Mr. Daniloff were not released promptly but also said high-level arms-control talks with Moscow would continue on schedule.

The two days of arms-control talks, designed to find possible points of agreement in advance of a foreign ministers' meeting, were scheduled to begin at the State Department Friday morning.

A State Department spokesman, Charles E. Rickman, said that the fact that the meeting was going ahead as planned "does not mean business-as-usual." He said the U.S. government was raising the issue at every possible occasion and was taking "every appropriate measure" to win Mr. Daniloff's release.

Mr. Daniloff has not been formally charged. The Soviet Foreign Ministry said the case was expected to be tried by a Moscow court.

See REPORTER, Page 5



Mourners carried coffins of victims of last week's battles with police to Avon cemetery in Soweto on Thursday.

Police in Soweto Fire Tear Gas to Rout Mourners

By William Claiborne
Washington Post Service

SOWETO, South Africa — Security forces using tear gas and fired live rounds of ammunition to disperse large crowds of residents here Thursday after they defied a government ban on holding funeral processions for some of the victims in last week's street battles with the police.

The government Bureau for Information in Natal Province, meanwhile, issued a ruling that appeared to invalidate an emergency regulation allowing the commissioner of police to prohibit anything that was deemed necessary for the maintenance of public order or for the termination of the state of emergency.

Under shadow of South Africa, Botswana judges principle and economic reality, Page 2.

and that at least 12 coffins were then taken to a nearby cemetery in security forces' convoys.

The Soweto community leaders said that families then buried their relatives in the presence of small groups of mourners under the compulsion of the security forces.

Funerals for the other victims of last week's unrest were postponed indefinitely. Directors of funeral parlors were made to sign declarations that they would not release the bodies without police consent.

Reporters who entered Soweto by car earlier in the day, before it was clear that the security action had begun, were stopped by army troops and ordered to leave the township immediately.

The first funeral procession was held at about 10 A.M. at St. John's Anglican Church in Soweto's White City neighborhood, where on Aug. 26 local police opened fire on barricaded youths during street battles and killed 20 persons by official count.

Community leaders here, however, produced a list of the names and addresses of 24 persons they said died in the shootings, and Soweto funeral parlor directors said they had many bodies with gunshot wounds.

Under expanded press restrictions issued Wednesday night by the commissioner of the national police, no journalist is permitted on "vital occasions" of any funeral, restricted gathering or security action.

Under previous restrictions under the emergency decree of June 12, journalists were allowed to report on security actions unless the information has been officially released.

See SOWETO, Page 5

John's ties to the British marriage were strengthening. The marriage was a surprise to the couple, who had been together for several years. The couple had a son, who was named after the father.

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Reporter's Jailing Shows KGB's Muscle

By Gary Lee
Moscow Post Service

MOSCOW — When the KGB jailing Nicholas Daniloff, it underscored a campaign by Mikhail S. Gorbachev and his aides to shore up Moscow's rugged relations with the United States and the Western press.

In no doing, it gave the first real indication of how much power the state security agency wielded in Soviet-American relations under Mr. Gorbachev's leadership.

In the three-way struggle for influence with the party and the government, the KGB was the only senior wing in the army of Mr. Gorbachev, a correspondent for U.S. News & World Report.

The consequences of an arrest widely viewed in the West as a

leader, had not only called for a thaw in relations but had also criticized Washington for failing to respond to his goodwill gestures and thus poisoning the atmosphere.

Foreign Minister Eduard A. Shevardnadze had just rescheduled a canceled trip to Washington for talks with Secretary of State George P. Shultz.

We are seeking normal relations with the West, Mr. Daniloff said. We are seeking normal relations with the West, Mr. Daniloff said.

frame-up could bear heavily on relations between Washington and Moscow.

Despite efforts by both sides to minimize the political repercussions, a U.S. official here said this week that the prospect of a trial for Mr. Daniloff would threaten plans for a Soviet-Soviet summit meeting proposed for later this year.

The arrest of an American in Moscow would have been uncommon and alarming during the Cold War. Coming at this time, it contradicts the line toward Washington that the Foreign Ministry has been making since the end of the war.

Western press, with press conferences, briefings and improved contacts with Soviet officials, Moscow

Pope Backs Clergy in Nicaragua

By Roberto Suro
New York Times Service

ROME — Pope John Paul II has given his full backing to Nicaraguan church leaders in a confrontation with the Managua government over alleged harassment of the church and violations of human rights, a Vatican official says.

The Vatican's stance is expected to be raised at a meeting between Cardinal Miguel Obando y Bravo, archbishop of Managua, and President Daniel Ortega Saavedra. No date for the meeting has been set.

Mr. Ortega has repeatedly sought direct contacts with the Holy See to discuss disputes.

But the Vatican official said Wednesday that Cardinal Obando y Bravo had been authorized to insist that the government must prove its good faith in talks with local church officials before the Vatican would consider negotiations with the Sandinistas.

"We have no reason to be optimistic," said the Vatican official, who asked not to be identified. "We do not really expect any movement."

In preparing for the anticipated meeting with Mr. Ortega, the Vatican has been using its complaints in a human rights framework.

It is expected that Cardinal Obando y Bravo will use human rights language to discuss the situation in Nicaragua because it is broader than talking just about the church's problems, the official said. "The pope believes the Sandinistas' actions are affecting the entire population, not simply the church as one institution."

On a trip to the United States last month, Mr. Ortega said he wanted to establish a constructive dialogue with the Vatican and suggested creating an ecclesiastical commission to mediate disputes.

The Vatican has rejected these proposals as a "tactic to bypass the bishops" of the official church.

Mr. Obando y Bravo has added that the Vatican was prepared to back Cardinal Obando y Bravo in demanding that the Sandinistas reverse a series of actions viewed both as hostile to the church and as violating human rights.

He believed that Mr. Ortega wanted to avoid a complete break in relations with the church and that he was aware the Sandinistas' image abroad was suffering to the extent that the pope perceived as persecuting the church.

As a result, there is hope that perhaps some of the problems may be resolved through talks with the local hierarchy, particularly if Cardinal Obando y Bravo goes into the town in a strong position.

The Vatican's complaints focus on measures that began about six months ago, the official said. These include the expulsion of 16 priests, the closing of the church's radio station and the refusal to let the

Aquino Defends Policies And Rebukes U.S. Critics

By Seth Mydans
New York Times Service

MANILA — President Corason C. Aquino on Thursday defended his approach to combating insurgency and said recent criticism from the White House did not appear to have come from President Ronald Reagan but from individuals who might not wish her to succeed.

Mrs. Aquino said she would not be dictated by Washington or this or other issues as she believed had been done by her predecessor, Ferdinand E. Marcos.

"The fact is, it is I who will decide just what we will do in this country," she said in an interview in her office.

Mrs. Aquino said she would not respond to anonymous criticisms like those of unnamed administration officials who urged her last Sunday to get together with the Communist and other insurgents.

"Until it is said right to my face, until President Reagan tells me, 'Look, you're doing it the way we think you should do it, then I'll tell him why I think it should be done this way,'" she said.

She said she expected the United States to respect her views.

Communist insurgency and on the presence of American bases here, she said, were the Philippines government was an equal partner that it did during Mr. Marcos's tenure.

She repeated her commitment to seeking a peaceful solution to the



Corason C. Aquino

Gadhafi May Leave Nonaligned

The Associated Press

HARARE, Zimbabwe — Muammar Gadhafi threatened Thursday to withdraw from the Nonaligned Movement, saying it was not doing enough to support Libya in its conflict with the United States.

"I want to say goodbye, farewell to this funny movement, to this false movement," he said in a rambling one-and-a-quarter-hour speech that stunned delegates at the weekend meeting.

He passed in his speech to allow a young Libyan leader to take the place of Gadhafi in the battle against the United States.

Colonel Gadhafi said he would withdraw from the Nonaligned Movement unless other members severed ties with the United States and Russia, and showed "solidarity" with Libya.

He asserted that more than 50 U.S. vessels and tens of thousands of U.S. troops were threatening his North African country, but he said that he was not intimidated.

He said he would raise an international army of "tens of thousands" of men.

See GADHAFI, Page 5



Colonel Muammar Gadhafi's water glass is refilled during his speech on Thursday.

Bomb Kills 3 Frenchmen In Lebanon

The Associated Press

BEIRUT — Three French soldiers serving with the United Nations peacekeeping force in southern Lebanon were killed by a remote-control bomb while they were jogging Thursday and a fourth was wounded, a UN spokesman said.

The attack, the ninth against the UN Truce Force in Lebanon in 24 days, shattered French of a collision between Israeli-backed Shabab and Syrian-backed Hezbollah extremists and pro-Syrian Muslim moderates over UNIFIL's role in Lebanon.

The French government condemned the "cowardly attack" which it said was aimed at undermining the mission of the peacekeeping force.

After hearing the news, President Francois Mitterrand held a scheduled meeting with Hussein Hossain, speaker of the Lebanese parliament, and was quoted by government officials as having told his visitor that he wanted UNIFIL to be better organized and stronger.

Reuters reported from Paris.

"But the conditions must be closely examined," Mr. Mitterrand said.

See LEBANON, Page 5

Arafat Backs Talks Based on UN Resolutions

Reuters

HARARE, Zimbabwe — Yasser Arafat, chairman of the Palestine Liberation Organization, said Thursday that the PLO supported calls for an international Middle East peace conference based on two United Nations Security Council resolutions.

The resolutions, Nos. 242 and 338, followed the 1967 Arab-Israeli war. They propose trading peace for land occupied by Israel during the conflict, but the PLO has repeatedly rejected them.

Mr. Arafat did not explicitly say

that he recognized the two resolutions, which are at the center of differences between him and moderate Arab nations.

Mr. Arafat, speaking at the meeting of the Nonaligned Movement, said, "The PLO has done all it could to reach a peace solution as decided by international resolutions."

In 1978, it was estimated that at least two-thirds of all pregnancies in the United States were electronically monitored during labor. The new study, believed to be the largest to measure the effect of electronic monitoring, suggests that monitoring may not be needed in most pregnancies.

"It clearly indicates that the policy of monitoring all women did not improve the pregnancy results," Dr. Kenneth J. Leveno said in an interview Wednesday.

During a three-year period at Dallas's Parkland Memorial Hospital, Dr. Leveno and his staff alternated monthly between a policy of monitoring all women and one of "selective monitoring."

With selective monitoring, slightly more than one-third of the pregnancies were

well as all parties to the conflict, including the PLO.

The proposed conference would be held on "the basis of international legality and Security Council resolutions related to the question of Palestine and the Middle East, including resolutions 242 and 338," he said.

Israel refused to negotiate with the PLO, which it brands as a terrorist organization. The PLO has persistently rejected an explicit recognition of Israel without parallel acknowledgment of Palestinian rights to self-determination.

Overuse of 2 Birth Procedures in U.S. Studies

By Christine Russell
Washington Post Service

WASHINGTON — Two major medical studies published Thursday provided strong evidence that two childbirth procedures — electronic fetal monitoring and cesarean delivery — are being overused.

A study of nearly 35,000 births in Dallas found that routine use of continuous electronic monitoring of the fetal heart rate, a practice in many American hospitals, led to a "small but significant" increase in cesarean-section deliveries but to no major improvement in the health of babies born there, doctors at the University of Texas Southwestern Medical Center reported.

A separate study of more than 65,000 births at four New York hospitals found that private physicians performed "significantly more" cesarean deliveries than doctors treating patients in hospital clinics, the outcome for most babies, said researchers from the State University of New York.

Both groups, in studies published in the

New England Journal of Medicine, suggested that overuse of medical intervention during childbirth may stem, at least in part, from obstetricians' concerns about potential malpractice suits.

Cesarean deliveries have jumped from 5 percent of all U.S. births in 1970 to 21.1 percent in 1984, according to the National Center for Health Statistics. It said the rate in 1984 was 18 percent, well above the 12 percent in Denmark, 11 percent in France and 9 percent in England and Wales.

Since the early 1970s, use of electronic monitoring also has grown rapidly. It is now routine in many institutions for most obstetrical patients.

The monitoring charts the fetal heart rate and a woman's contractions continuously, using equipment attached externally to the woman's abdomen or internally through the vagina to the infant's scalp. The information is intended to provide a warning of fetal distress during labor.

Electronic fetal monitoring initially was used mostly for patients known to be at

higher risk of birth complications, such as women with labor problems, high blood pressure or diabetes, or who are carrying twins. Despite scientific debate over the benefits, many physicians and hospitals shifted toward the new technology for all births.

Dr. Leveno reported that infant death rates did not differ significantly between the two groups. Nor were there differences in other indicators of fetal problems, such as breathing difficulties, admission to intensive care and seizures.

Cesarean rates increased slightly, however, from 10 percent for first-time cesareans among the selective monitoring group to 11 percent in the universal group.

A large study of cesarean sections at New York hospitals found that their first cesarean and 64 percent had repeat surgery, compared with 13.2 percent and 6.2 percent, respectively, for private patients. But the private patients' babies generally did not fare any better, said Dr. Roberto Haynes de Regi, director of obstetrics at City Hospital Center in Elmhurst.

considered high-risk and were given continuous electronic fetal monitoring. The rest were monitored by nurses, who checked babies' heartbeats at least every 30 minutes with special stethoscopes.

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insurgency, and also her policy of honoring the bases agreement until it expires in 1991, and then keeping her options open. "There will be negotiations, renegotiations," she said.

"I do not discount the possibility that not everyone wants me to succeed in the U.S. visit," she said. "And I would imagine there are a number who would really like to derail whatever efforts are made in seeking something mutually advantageous for both countries."

She said a main goal of her visit would be to seek more favorable terms from creditor banks and other major markets for Philippine goods. Her approach to counterinsurgency and the U.S. bases were expected to be among the issues discussed.

She said Mr. Marcos had allowed himself to be dictated by Washington because he "no longer enjoyed the support of the Filipino people and had to look elsewhere for support."

"This is a different government," she said, adding that she thought the new administration "should be one of mutual respect."

She said a purely military approach to counterinsurgency had failed under Mr. Marcos and that she intended to "take all peaceful options" before resorting to "our last effort" and that will be using force against force.

She conceded that cease-fire talks, which began a month ago, had gotten off to a slow start but added that when two forces have been fighting each other for years, "first of all what we need to be established is a show of sincerity on both sides."

See AQUINO, Page 5

2 Captains Accused in Collision of Soviet Ships

The Associated Press

MOSCOW — The captains of two ships that collided in the Black Sea leaving at least 79 people dead and 319 missing have been accused of violating safety rules, Soviet newspapers said Thursday.

A commission investigating the collision between the cruise liner Admiral Nakhimov and the freighter Povor Vayevy near Novoskizk has questioned 400 people so far, the government newspaper Izvestia said.

The newspaper said there would be a trial of those who pulled the accident occurred. It said Vladimir G. Markov, the captain of the liner, and Viktor Tshchenko, the captain of the freighter, "have been placed under arrest."

Izvestia said investigators are working to put together a complete list of passengers and crew on the cruise liner. It said uncertainty about the passenger list was evidence that the ship was "obviously overloaded" that led to the accident.

According to initial reports, there were 1,244 people aboard the Admiral Nakhimov when it sank at about midnight Sunday after being rammed by the freighter Povor Vayevy.

Government officials have not updated the casualty count since Tuesday, when they reported that 79 people were killed and 319 were missing.

The freighter remained afloat and no one aboard was injured. Helicopters and ships continued to search the area where the Admiral Nakhimov was wrecked. The newspaper Komсомольskaya Pravda said crews were preparing to cut into the liner's hull to remove bodies.

Accounts of the disaster were filled with tales of heroism and endurance but indicated that senseless might have led to the collision.

"How could it happen?" asked the newspaper Pravda. "Why is it that two ships which are in communication and saw each other's lights could not steer clear?"

"Investigating organs will give detailed answers on this after studying the circumstances," it said. "But already experts state the reason was violation by captains of both ships of rules of sea navigation."

Soviet Union Protests to Iran Over Gulf Incident

The Associated Press

MOSCOW — A spokesman for the Soviet Foreign Ministry spokesman said Thursday that Moscow had protested to Iran for detaining a Soviet ship in the Gulf, but gave a different version of events than had been reported by Gulf shipping sources.

The spokesman, Gennadi I. Gerasimov, said that the freighter Povor Vayevy was never taken to an Iranian port and that the entire incident took place at sea.

That conflicted with reports from Bahrain, quoting shipping executives as saying that the Iranian took the vessel to Bandar Abbas and searched it before releasing it Thursday.

Mr. Gerasimov said he had no knowledge of a second Soviet ship, the Povor Vayevy, which was reportedly detained briefly by Iranian warships on Wednesday.

[An Iranian Navy official in Tehran said Thursday that the Povor Vayevy was released after having had a cargo inspection. Reuters reported that the ship had been escorted by Iranian warships.

He said the Soviet vessel had been allowed to proceed immediately. Earlier, Mr. Gerasimov said that the Povor Vayevy was in central waters bound for Kuwait when it was intercepted Tuesday by an Iranian ship.

He said the Soviet vessel was ordered to make a maneuver that apparently caused engine problems and left it disabled.

When asked about reports that Iranian marines had boarded the Povor Vayevy, Mr. Gerasimov replied, "Yes, really, the Iranian marines boarded our ship and we lodged a protest because this is a violation of freedom of navigation."

Mr. Gerasimov said the Povor Vayevy was under tow Thursday by a second Soviet ship, the Rubizhnyy, and that it was expected to be repaired soon.



Vernon A. Walters, left, with Giulio Andreotti, the Italian foreign minister, on Thursday.

In Italy, Walters Says U.S. Will Strike If Terrorism by Libya Can Be Proved

By Loren Jenkins

Washington Post Service

ROME — A special U.S. envoy warned the Italian government Thursday that if it failed to furnish information on the whereabouts of a suspected Libyan agent, the United States would not hesitate to launch a military strike against Libya.

The U.S. representative to the United Nations, Vernon A. Walters, told a mission to West European capitals for President Ronald Reagan.

He delivered the U.S. message directly to Prime Minister Bettino Craxi of Italy and Italian cabinet members during a series of meetings. He later left for Paris and a meeting Friday with Prime Minister Jacques Chirac of France.

Mr. Walters' warning, according to aides to Mr. Craxi, was the only real point of disagreement with Italian officials, who have opposed any U.S. strikes against those launched against Libya in April.

The Italians, along with West Europeans, have insisted on concrete proof of Libyan support for new terrorist attacks before considering what form of Western retaliation they would approve.

Sources close to Mr. Craxi described the talks Thursday as "good" and "better than we had anticipated."

They said that Mr. Walters had, as had been expected before he began his mission to European capitals, been very direct in his warnings against Libya.

"We were not asked to take any new steps against Libya," the source said. "Walters came to us to tell us that if we did not furnish us with new, if not conclusive, evidence that Libya might be getting ready to give new support for terrorist actions."

The source said that even Mr. Walters conceded that the information was far from conclusive. On Wednesday, the German foreign minister had said that the U.S. had no new concrete and diplomatic evidence against Libya, saying that the measures suggested by Mr. Walters would have a negligible impact, according to government sources.

Mr. Walters, as he has on other occasions, said that in his talks beyond stating that he had a "useful and friendly" exchange of points of view with Italian officials about Libya.

Mr. Walters met with Mr. Craxi for almost an hour at his Palazzo Chigi residence in Rome, for a group of West German visitors in June. The Italian ambassador to Libya was told to seek clarification.

After a meeting with Mr. Craxi in Paris, Mr. Walters is to fly to London for talks with Sir Geoffrey Howe, Britain's foreign secretary.

Irish officials said the government would refuse entry to Libyan students because of Libya's support for the Irish Republican Army in its guerrilla campaign against British rule in Northern Ireland. Reuters reported Thursday from Dublin.

They said the decision was made in July following reports that Libya was sending students to Ireland to receive training for the IRA.

Colin Gadhafi said Thursday that he would not accept the IRA but would not provide it with arms. Irish radio reported, Colonel Gadhafi, in a brief interview in Havana, Zimbabwe, said: "We support the Irish cause because we think it is a just cause."

He said that 300 Libyans studying in Ireland will be allowed to complete their courses. Some are being trained by the Irish state airline Aer Lingus.

The Irish action attracted a declaration by Colonel Gadhafi's deputy, Major Abdel Salam Jeloud, for a group of West German visitors in June. The Irish ambassador to Libya was told to seek clarification.

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WORLD BRIEFS

U.S. Optimistic as Geneva Talks Start

WASHINGTON (UPI) — The Reagan administration is optimistic that the demand for on-site monitoring of large nuclear tests eventually will be accepted by the Soviet Union, according to administration officials. Experts for the two sides began meeting Thursday in Geneva to discuss nuclear testing issues.

The private, bilateral meeting, the second in recent months on nuclear testing, is expected to last two weeks. The first session, which lasted two days, continued in late July. The United States wants the Soviet Union to permit on-site monitoring of all nuclear tests with an expected yield greater than 150 kilotons.

The goal is to ensure compliance with the 1979 moratorium, which limits the yield of nuclear tests to 150 kilotons.

Typhoon Kills 78 in Luzon, Taiwan

MANILA (UPI) — A typhoon weakened slightly as it swirled into the South China Sea Thursday, leaving at least 78 people dead in the Philippines and more than 50 dead in Taiwan, officials said.

The Manila Weather Bureau said the typhoon, designated Weyan, was about 360 miles (580 kilometers) northwest of Manila at midday. It was traveling west at 9 mph (about 14 kph) with winds of 51 mph, from 57 mph Wednesday.

Combined reports from disaster relief agencies Thursday said 78 died when the storm unleashed heavy rains over wide areas of Luzon, forcing roads that destroyed bridges, crumpled hundreds of homes and inflicted heavy damage on crops. Most of the deaths were from drowning and electrocution. The storm battered Taiwan twice and left more than 50 people dead before turning around and striking the Philippines early in the week.

U.K. Unions Urge Nuclear Review

BRIGHTON, England (AP) — The Trades Union Congress, Britain's national labor federation, called Thursday for a formal review of nuclear power plans pending the results of a referendum on nuclear energy.

The federation's annual conference approved the resolution after narrowly defeating an amendment calling for phasing out nuclear energy. The amendment passed by a vote of 4.64 million to 4.58 million.

The governing Conservative Party faces strong growth of nuclear power. The Labor Party, which is heavily funded by the unions, will contest the nuclear power issue at its second conference in October.

Gains Reported in Salvadoran Talks

PANAMA CITY (UPI) — Archbishop Rivera y Damas of San Salvador has met with representatives of the guerrilla forces and reported progress toward a new round of peace talks with the Salvadoran government.

"I am very happy that we have advanced some on our journey toward peace," the archbishop said in Panama, where he said the representatives met to begin discussing an agenda and other details of peace negotiations scheduled for Sept. 19.

Rebel representatives and the Salvadoran government held preliminary talks in Panama City last week. The next round of talks is set for Aug. 20-22 to set the date and location for a new round of negotiations.

Arburo Rivera y Damas

The last delay in delivery of the new production program is a long-term production program. The new production program is a long-term production program. The new production program is a long-term production program.

Papandreu Warns U.S. On A-Arms

On A-Arms

By Henry Kamm

New York Times Service

ATHENS — Prime Minister Andreas Papandreu has told his Socialist Party's Central Committee that he "personally informed" the United States that Greece might use unspecified time demand the removal of nuclear weapons stored here.

Mr. Papandreu also said that Greece's armed forces were on guard against Turkey, a fellow member of the North Atlantic Treaty Organization, rather than against the country's Communist neighbors.

The prime minister said Greece had been pursuing the objective of removing nuclear arms stockpiles within the framework of a long-standing initiative by the Balkan nations, both Communist and non-Communist, to make the Balkan peninsula a nuclear-free zone. He noted that Turkey had been blocking the effort.

"If there is no progress there, we will unilaterally seek back all the nuclear weapons in Greece," he said in a speech last week. "This is a commitment to the people. I have personally informed the United States accordingly."

Mr. Papandreu had previously avoided saying whether he had formally put his demand to the United States. Last year, Defense Secretary Casper W. Weinberger denied that such a request had been received.

Despite Mr. Papandreu's week-end declaration, which was published in an English translation Wednesday, Western officials said they remained unaware of any such statement to the United States.

In any event, the officials said, Greece will be told that such an approach would have to be made to the Atlantic Alliance.

Botswana's Survival on the Razor's Edge

Under South Africa's Shadow, Nation Juggles Principle and Economic Reality

By Scott Kraft

Los Angeles Times Service

MOGOTSHANE, Botswana — Solomon Moseke was standing on his doorstep at dawn, in a mid-class neighborhood of white concrete houses and dirt roads, in an African country where nothing much ever seemed to happen, when the helicopters landed.

The three aircraft alighted amid scrub bushes less than 100 yards away. Mr. Moseke's elderly maid, with poor eyesight, thought they might have run out of gas.

But then he learned that the first of thousands of rounds fired into the one-story, horse-shoe-shaped apartment building where he lived.

The South Africans had come to Botswana. Mr. Moseke found safety in the shelter of his room. But the soldiers found Mr. Moseke's 30-year-old neighbor under his bed. Two down, one to go.

Mr. Moseke's neighbor was a man of the spot where the man died. Botswana hardly needed a sharper reminder than that May 19 attack in this small town that its very existence — and preservation — was at stake.

Now, with the United States and countries all over the world talking about harsh sanctions against South Africa's white-led minority government, and that government talking about retaliatory sanctions, Botswana is in a bind between high principle and economic reality.

This is a land-locked country of 361,000 square miles (582,000 square kilometers) sitting on South Africa's northern border. It has a million people, three times that many cattle, and hundreds of thousands of acres of semi-desert. It also is one of the world's largest producers of diamonds.

Botswana is heavily dependent on South Africa and on the exports of diamonds from the port of Durban for its economy. Eighty percent of its imports come through South Africa. All of Botswana's oil is exported through South Africa.

The day after the May attack, for example, Gaborone, Botswana's capital, was a quiet town. The day after the May attack, for example, Gaborone, Botswana's capital, was a quiet town.

Despite that dependence, Botswana remains independent in important ways. Natalie Belochi, the U.S. ambassador here, called Botswana "an island of stability in a sea of turmoil."

The official Botswana position is to oppose apartheid but refuse to join the black nations in the region in calling for economic sanctions.

Mr. Moseke's neighbor was a man of the spot where the man died. Botswana hardly needed a sharper reminder than that May 19 attack in this small town that its very existence — and preservation — was at stake.

Now, with the United States and countries all over the world talking about harsh sanctions against South Africa's white-led minority government, and that government talking about retaliatory sanctions, Botswana is in a bind between high principle and economic reality.

This is a land-locked country of 361,000 square miles (582,000 square kilometers) sitting on South Africa's northern border. It has a million people, three times that many cattle, and hundreds of thousands of acres of semi-desert. It also is one of the world's largest producers of diamonds.

Botswana is heavily dependent on South Africa and on the exports of diamonds from the port of Durban for its economy. Eighty percent of its imports come through South Africa. All of Botswana's oil is exported through South Africa.

The day after the May attack, for example, Gaborone, Botswana's capital, was a quiet town. The day after the May attack, for example, Gaborone, Botswana's capital, was a quiet town.

For the Record

The Costa Rican government has acknowledged that it was mistaken when it said that Eden Pineda, the former Nicaraguan rebel leader, was detained Wednesday for violating conditions of his political asylum by attempting to enter Nicaragua. It said he had been at the home of Sam Joist rather than near the Nicaraguan border.

Adolf E. Stevenson, 54, can remain on the Nov. 4 ballot as the gubernatorial candidate for the Illinois Solidarity Party, the state elections board ruled Thursday. He had resigned as the Democratic nominee rather than on the Democratic ticket with supporters of Lyndon B. Johnson Jr. in the 1964 primary.

Seafarer Geoffrey Howe, the British foreign secretary, will have talks in Washington on Tuesday and Wednesday, mainly in his capacity as head of the EC council of foreign ministers, the Foreign Office said Thursday.

DOONESBURY

HANCOCK: "I A DRY." BELL: "I THINK I GOT EVERYTHING UNDER CONTROL." "I'M ALL RIGHT, BUT I'M NOT SURE ABOUT YOU." "I'M ALL RIGHT, BUT I'M NOT SURE ABOUT YOU." "I'M ALL RIGHT, BUT I'M NOT SURE ABOUT YOU."

THE DOONESBURY COMICS BY GILBERT ADAMS. "I'M ALL RIGHT, BUT I'M NOT SURE ABOUT YOU." "I'M ALL RIGHT, BUT I'M NOT SURE ABOUT YOU." "I'M ALL RIGHT, BUT I'M NOT SURE ABOUT YOU."

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900 Air-to-Air Being Recalled
Due to a defect in the engine, the 900 Air-to-Air is being recalled. The defect is in the engine, which is a common problem. The recall is for all units produced between January 1, 1985 and March 31, 1986. The recall is being initiated by the manufacturer, who is aware of the defect. The recall is being initiated by the manufacturer, who is aware of the defect.

A Tank Full Thanks to
AEG has introduced a new service station, the AEG service station. The station is a new service station, the AEG service station. The station is a new service station, the AEG service station. The station is a new service station, the AEG service station.

can find AEG in

300 Air-to-Air Missiles Being Recalled by U.S. Due to Factory Errors

By Molly Moore

WASHINGTON — A new version of the Phoenix missile, the U.S. Navy's most sophisticated and costly weapon for long-range aerial combat, has been so plagued by production flaws that the service has ordered overhauls of as many as 300 missiles before sending them to the fleet, according to navy officials and documents.

Delivery of the Phoenix is about one and a half years behind schedule because of faulty target-detection and rocket-ignition devices, as well as production slowdowns of the missile by Hughes Aircraft Corp., said Captain Jesse Stewart, program manager for the navy's air-to-air missile system.

A navy inspection of a Phoenix missile in June found 2,694 defects, from soldered problems to possible short circuits.

A subsequent navy report said some of those flaws could affect the missile's reliability and that "the hardware does not satisfy contractually required" Hughes has denied that the problems would affect the missile's performance.

The Phoenix AIM-54C, an advanced version of the Phoenix missile currently in use, is considered a crucial part of the navy's defense system because of what the service calls its "over-the-horizon" capability to destroy targets as far as 124 miles (200 kilometers) away.

The new version of the weapon, which has cost \$1.7 billion to date, is expected to cost \$7 billion by fiscal 1998 when full production of 7,200 missiles is complete, according to a spokesman for the Naval Air Systems Command.

The latest delays in delivery of the new Phoenix missiles are part of a continuing production problem with the long-range missile. Captain Stewart said the navy expected to send the first of the new missiles to the fleet, where they will be used by F-14 Tomcat fighters, in October.

He said the fleet has continued to rely on the older version of the Phoenix. Pentagon officials first detected major problems with the Phoenix two years ago. Hughes Aircraft shut down its Phoenix assembly line for six months in 1984 because of quality-control problems and "unacceptable workmanship," cited by navy and air force inspectors.

Less than a year after Hughes reopened the line, navy tests disclosed that a flaw in the missile's target-detection device could prevent it from identifying targets.

A navy official described that fault as a potential disaster for pilots using the missile to protect U.S. aircraft carriers from Soviet bombers armed with cruise missiles. The navy relies on two other missiles, the Sparrow and the Sidewinder, for combat at closer range.

In addition to improving the technology of the earlier version of the Phoenix, the Pentagon decided to design a new Phoenix because of concerns that the original missile, which had been sold to Iran, had fallen into Soviet hands after the overthrow of the shah in 1979, so-

cording to a spokesman for the Naval Air Systems Command. From 250 to 300 of the latest version of the Phoenix required repairs to the detection unit, which was supplied by Motorola Corp., Captain Stewart said. That represents virtually all the missiles that had been produced since 1980.

Soon after that problem was resolved, navy tests on its newest batch of 108 Phoenix missiles discovered yet another flaw, this one in the fuse that ignites the rocket motor. The fuse is made by Microtron Corp., based in California.

Those flaws only compounded Hughes' production problems. Hughes was dealt an additional blow when navy and air force inspectors conducted the examination of the missile in June and found defects, many of which it blamed on Hughes' internal inspectors of overloading.

"The Phoenix program is currently assessed as being marginally satisfactory," according to a letter written in June by John F. Skiffington, chief of the air force's Quality Assurance Division.

The navy's report stated that Hughes had made significant improvements in its production process since 1984, but noted that "a concerted effort is required" to further eliminate problems.

In California, an Old Pro Has Challenger on the Run

By E.J. Dionne Jr.

New York Times Service

LOS ALTOS, California — This is one of those places that lay claim to being the future first, in the bosom of the high-technology area around San Jose, it is the home of many entrepreneurs and technicians, the heroes of Ronald Reagan's vision of America in the 1980s.

At a class, these voters have been at the center of political plans as both parties look to 1988. And so, for many Republicans, it seemed unwise to challenge Senator Alan Cranston, who is 72, this November.

Not only did this give the Republicans a good shot at a test they regard as important to their efforts to hold the Senate, but Mr. Cranston's victory also put on display an attractive picture of a new Republican Party.

Mr. Cranston is a tireless campaigner and fund-raiser with a well-developed instinct for the jugular, appears to have put Mr. Zechin on the defensive.

On paper, said Mervin Field, a California poll-taker, Mr. Zechin was a nearly perfect candidate. "If you were writing a scenario for a Republican candidate," said Mr. Field, "you'd say let's take a moderate young guy. We'll have our tiger not campaign too much. We don't care if he's unknown, he



Alan Cranston

won't be seen as a threat very early. Just raise a lot of money and put him on television. And he'll win."

"And," Field said, "that's exactly what happened."

Against a divided primary field heavily weighted to southern California and conservatives, Mr. Zechin, the candidate from up north who supported the proposed federal Equal Rights Amendment and choice on abortion swept from nowhere to win the nomination with 57 percent of the vote.

Mr. Zechin's handlers even

turned his strange-looking name — it's pronounced like the first syllable of "shower" — into an asset. They have run millions of dollars in advertisements in which the name whooshes onto the screen, materializing almost as from space, while an announcer intones the syllable "Shhhlowee."

"You'll find little kids on the street looking at each other and suddenly saying, 'Shhhlowee,'" said Sandy Conlan, the campaign press secretary.

Yet something has gone wrong. The something might be described in two words: Alan Cranston.

Within 24 hours of the primary, Mr. Cranston took off after Mr. Zechin with biting comments.

He zipped his own issues where Mr. Zechin, 46, had modified his stand off, in the view of the Cranston campaign, contradicted earlier positions. Those included aid to the rebels in Nicaragua, South Africa sanctions, Israel, the nuclear arms race and the MX missile.

Seeking to turn Mr. Zechin's heavy use of television commercials against him, one Cranston ad depicted Mr. Zechin's face on a piece of simulated film. As images flicked by wildly, an announcer gave the Cranston view of his shifts and cosmoche, heavy with sarcasm. "We're electing a senator over a commercial," said Mr. Cranston held an "Ed Zechin Memorial Flip-Flop Parade Breakfast" and charged,



Ed Zechin

"Mr. Zechin doesn't have the courage of his nonconvictions."

Patrick H. Caddell, Mr. Cranston's poll-taker, said the Cranston strategy of lavishly produced commercials before the primary and the attack the day after had deprived Mr. Zechin of the advantage he might have had as the surprise winner of the nomination.

"Zechin got almost no bounce out of the primary," said Mr. Caddell. "His experience was to walk out the next day and to be suddenly knocked, as it were, on his family."

Mr. Field's most recent poll largely confirmed the Cranston assessment. The poll had Mr. Cranston ahead 51 percent to 38 percent, against 47 to 38 in late May.

The Zechin campaign in the meantime called in big Rogish to produce a new batch of commercials. Republican officials in Washington are known to be worried.

Mr. Zechin dismissed the "flip-flop" ads, saying they had been seized by his campaign and found to be "completely ineffective." He insisted that voters understood that "things change, laws change, bills change, facts change."

"I'm saving my best punches for when it counts," he said.

But what is clear is that Mr. Zechin, whose primary campaign focused on new Republicans and younger voters, is a different kind of Republican. His "moderation" comes mainly from averaging out his positions.

His liberalism on women's rights and abortion, for example, is matched by a fiercely conservative voting record on spending issues.

And Mr. Zechin said that most conservatives had come around to his cause. "I'm not trying to win over another wing of the Republican Party," he said. "I'm trying to broaden the base."

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In Chile, a Combative Press Survives Despite Restrictions

By Shirley Christian

New York Times Service

SANTIAGO — One recent week's news coverage of Chile's military government of General Pinochet was selling a variety of newspapers whose splashy covers showed the military government of terrorism and torture and accused a candidate of President Augusto Pinochet sprouting horns.

In bookstores, readers could find books detailing the abuses and excesses of the military government alongside the works of General Pinochet.

The availability of these magazines and books reflects one of the many contradictions of Chile: enough military decrees and so-called transitory laws have been issued to prevent the press from doing almost anything the government does not like, but the public's eyes and ears are besieged with information and opinions about public affairs.

The coverage ranges from attempts to investigate politically motivated killings and government corruption to round-table discussions of ways to bring about the departure of General Pinochet.

Chilean journalists say this is possible because, on the one hand, the government uses its power selectively against the press and, on the other, the Chilean press has a tradition of active and combative coverage.

During 13 years of military rule, the press and radio have demonstrated a willingness to test the government continually. At present there is no prior censorship of the press, though there have been periods of it, most re-

cently for seven months ending in May 1985.

But editors say a broad range of restrictions, most contained in the decree renewing the state of emergency every 90 days, forces them to practice self-censorship.

In addition, the government will

edit with all the material that had been censored."

An editor at one of the newspapers that Mr. Filippi described as friendly to the government said he was in daily telephone contact with officials of the government's Directorate of Social Communications.

Since then, the number of weekly newspapers has roughly doubled, with seven now published.

What is missing from the spectrum is strong representation from the far left that supported the Socialist-Communist coalition of President Salvador Allende, who was overthrown and slain in the 1973 coup.

Most of the publications and radio stations that are today considered to be of the opposition fall somewhere between center-right and center-left and generally characterize themselves as "democratic."

The government has more direct control over television than other news outlets.

One network is state-owned while the two others are operated by universities, which are under military administration. The National Statistics Institute says that more than 78 percent of Chilean homes have television.

Opposition politicians say a blackout on political coverage continues on television.

Ricardo Lagos, a Socialist Party leader, said that the state network, Channel 7, had once asked him for a declaration with the condition "that I had to refer to Pinochet as 'his excellency the president of the

republic" and must not use the word "dictator."

Mr. Lagos said he agreed and taped a 20-second statement, which was never broadcast.

■ National Strike Falters

A national strike called by left-

ists to protest military rule faltered Thursday after the largest opposition party refused to support it.

The Associated Press reported from Santiago. Extremists set off 13 bombs and fires, and troops fired into the air in Santiago, but no injuries were reported.

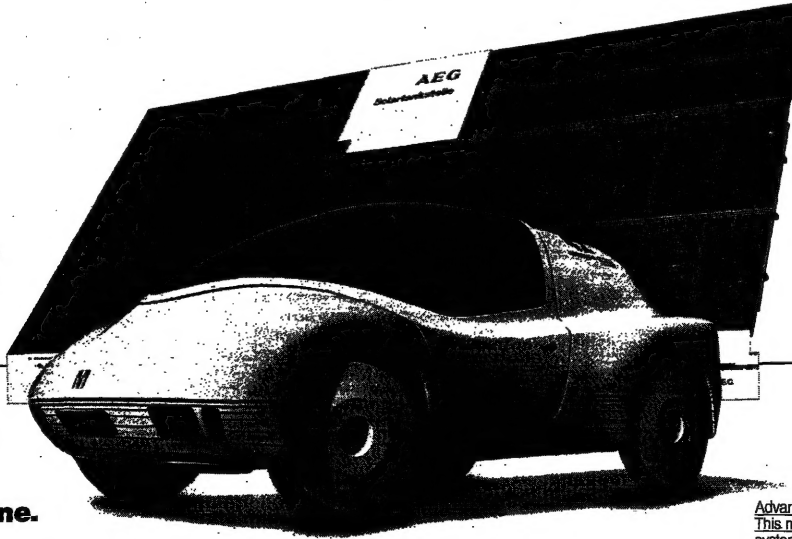
■ National Strike Falters

A national strike called by left-

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which transforms sunlight directly into electrical energy is the key to clean, safe solar technology. Lightweight solar panels from AEG are used to supply power to rechargeable batteries in the home. And for industry, AEG solar technology provides energy for satellites, as well as terrestrial applications such as navigational aids, irrigation systems, water purification systems, communication transmitters, receivers and amplifiers.

AEG

Expulsion from Beijing

Linked to a

Mr. Dr. to "If to how to and are uminities, and will types of political journals. Robe tically brain's le. "I, the started on is the right solve

...week that reports of the celeb
...been circulating among Chi
...about three months

The source also said that, at the time, Burns was distressed. Burns believed this action was necessary to China's inability to pay for the goods.

"We heard a few months ago a high-ranking official of the State Security had been in the U.S. that China had for his return and the situation," the source said.

SOWETO: A

(Continued from Page 1)

shared by the Bureau for Intelligence.

Concerned by the Soweto riots, the U.S. State Department said Thursday that groups of black youths were trying to incite riots in Johannesburg by encouraging township youths to burn down white-owned businesses.

They said the youths were
clearing the roadblocks as soon
as they were torn down. They re-
ported seeing what appeared to
be a man and exploding tear-

The Bureau for Information and
and incidents of stone-throw-
ing, building of barricades,
planting of petrol bombs
and setting of vehicles.
Community leaders and town
residents said that gangs

...the boarding trains to go
to Johannesburg in the
of a call for a general strike
"committees" of mil-
lions known as comrades
A woman was reported to
be the fell in front of a
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and a man was said to have
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There were conflicting reports about Thursday's shooting on the police commissioner's street.

GADHAET.

(Continued from Page 1)
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Minister Robert Mu
Tinkove, chairman of the
movement for the
year, said in a strained
"not all our members"

...condemned the U.S. bombing and added, "I think we must accept that his responsibility of this moment."

After speaking, Colonel Gra-

...a group of reporters
...who had been
...by Gadhafi's aide

Values on Chemical An-
Sold to Interest Mart
The Associated P
1923

...two-day trip to East Germany, expressed interest in joint negotiations for a zone free of chemical weapons.

Germany, along with
Germany's opposition Social
Democratic Party, have been calling
for an end to chemical
and nuclear weapons.

...on Wednesday for
President Erich Honecke
other officials.

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Expulsion of Reporter By Beijing Could Be Linked to a Defection

By Jim Mann

BEIJING — China's recent expulsion of John F. Burns, the New York Times correspondent here, may have been the result of the reported defection to the West of a high-ranking official of the Chinese Ministry of State Security earlier this year.

In July, China's Ministry of State Security, the agency responsible for coordinating the nation's counter-espionage and foreign intelligence gathering, detained Mr. Burns at the Beijing airport as he was about to leave for his return to the U.S.

The reporter was held in jail for six days on charges of violating travel regulations and then expelled.

At that time, there had been no public disclosure that a Chinese intelligence official had defected.

This week, two foreign press agencies, Agence France-Presse and Kyodo News Service, reported that Yu Zhensu, the director of the foreign affairs office of the Ministry of State Security, had fled China in January during a trip to Hong Kong.

A Chinese source acknowledged this week that reports of the defection began circulating among Chinese officials about three months ago.

The source also said that, at the time Mr. Burns was detained, some officials believed this action was a response to China's inability to get the defection back.

"We heard a few months ago that a high-ranking official of the Ministry of State Security had defected to the U.S., that China had asked for his return and the U.S. had refused," the source said.

SOWETO: Police Use Tear Gas to Disperse Crowds

(Continued from Page 1)

Confronted by telephone, Soweto residents said Thursday that police groups of black youths were congregating at intersections in the densely-populated township and erecting barricades out of oil drums.

They said the youths were rebuilding the roadblocks as soon as they were torn down.

Police used tear gas and water cannons to disperse the crowds.

The Bureau for Information confirmed incidents of stone-throwing, the building of barricades, the throwing of petrol bombs and burning of buildings.

Community leaders and township residents said that groups of youths used whips to prevent women from leaving their homes.

They said the youths were in defiance of a call for a general strike by "street committees" of militant black youths known as comrades.

A woman was reported killed when she fell in front of a train while being chased by youths.

A man was said to have been injured when he jumped from a train to escape the comrades.

The Bureau for Information confirmed that persons violating the strike had been intimidated.

There were conflicting legal opinions about Thursday's court ruling on the police commissioners' power.

Power Reynolds, an attorney representing the police, said:

GADHAFI: A Threat to Pull Out

(Continued from Page 1)

sands" to fight the United States worldwide.

The meeting was Colonel Gadhafi's first known foreign appearance since he was expelled from Libya on April 15 in what President Ronald Reagan called a "policy of containment."

Reagan's alleged support of international terrorism, some of the U.S. warships were from Britain to make the attack on Libya.

Prime Minister Robert Mugabe of Zimbabwe chairman of the next three years, said in a strained reply that "not all our members" agreed with the Libyan leader.

Mr. Mugabe said the movement had condemned the U.S. bombing and added, "I think our brother must accept that his membership of this movement has provided him with a platform to air his views and to speak through the voice of the movement to the United States."

After speaking, Colonel Gadhafi met for 30 minutes with President Ali Khamenei of Iran in a room off the plenary hall. Zimbabwean protocol officers and police tried to disperse a group of reporters and photographers who had been invited by Gadhafi aides.

Talks on Chemical Arms Said to Interest Martens

The Associated Press

BERLIN — Prime Minister Wilfried Martens of Belgium, who is on a two-day trip to East Germany, has expressed interest in joining negotiations for a zone free of chemical weapons in Central Europe, the press agency ADN said Thursday.

East Germany, along with West Germany's opposition Social Democratic Party, have been calling for a ban on chemical weapons in Central Europe. Mr. Martens arrived in East Berlin on Wednesday for talks with President Erich Honecker and other officials.



Caleb Daniloff, 16, son of Nicholas Daniloff, is met in London by his sister, Miranda, and Mortimer Zuckerman, U.S. News & World Report chairman, after arriving from Moscow.

REPORTER: U.S. Says Arrest Hurts Summit Hopes

(Continued from Page 1)

to be turned over to Soviet courts within 10 days.

In Moscow on Wednesday, Mr. Daniloff's wife, Ruth, said she had learned that her husband also had been charged for "outrageous violations growing out of what was called false information."

Jeff Trimble, a family lawyer for the magazine, said Mr. Daniloff had been charged with "outrageous violations growing out of what was called false information."

China later let him go without producing any evidence to substantiate the espionage allegation.

As head of the security ministry's created the commissioner police powers "to issue orders over a wide range of subjects." The bureau acknowledged, however, that "a general order" had been issued.

He would also have had detailed information about Chinese intelligence agents traveling overseas and about foreign intelligence officials visiting China.

Under the U.S. proposal, officials said, the U.S. would be released into the custody of the

Soviet ambassador, Yuri V. Dubinin.

In return, the Russians would unconditionally release Mr. Daniloff, who would then return to the United States.

There has been confusion over the American position ever since Mr. Daniloff was arrested Saturday.

The United States first insisted that there would be no arrangement that treated the Daniloffs as equal. Administration officials said that Mr. Daniloff had been arrested on "outrageous" charges and that the case of Mr. Zakharov would be "prosecuted on its merits."

But on Monday, a senior White House official here said in answer to questions that the United States would not rule out any course of action. This seemed at the time to include the possibility of a trade.

"We deplore the cavalier, if not insolent, attitude displayed by certain officials of the Aquino government toward earnest and reasonable proposals we have submitted," said a press release signed by the U.S. State Department.

The statement said if these officials had been of good faith and honest behavior, they would have done so by now. We are truly sorry to say that current efforts toward lasting peace in our land may come to naught.

Mr. Aquino described her relationship with Mr. Reagan as "very good," saying she had replied to his recent letter of support with a letter that "expressed the wish that peace negotiations would lead to a personal and lasting friendship."

Mr. Reagan is said to have a close relationship with Mr. Aquino, and has spoken with him on the telephone since his ouster in February at more length than he has with Mr. Aquino.

Whatever his personal relationship is with Marcos, Mr. Aquino said, he will not abandon his positions they were in, she said.

At the end of the interview, Mr. Aquino was asked whether after almost six months in office she was enjoying being president.

"No, the enjoyment is not there," she said.

"But more than anything else," she said, "I feel that I have been given a great responsibility to do everything possible to bring about a better life for the Filipino people."

U.S. Center in Tunis Attacked

Reuters

TUNIS — A man threw a crude incendiary device at the U.S. cultural center in central Tunis on Thursday, but it bounced off a bullet-proof window.

The man was seen running away from the building.

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KGB: Power Revealed

(Continued from Page 1)

toors that went into the decision to arrest Mr. Daniloff, it seems to reflect a subjugation of the political interest of the Soviet Communist Party and Foreign Ministry in working for more stable relations with the United States to that of the KGB in saving face and, perhaps, achieving the release of an accused operative.

A press conference called by Soviet officials to discuss Moscow's commitment to verifying a nuclear test ban was dominated by heated exchanges between Western reporters and Mr. Gerasimov about Mr. Daniloff.

In a draft of an appeal to Mr. Gorbachev to intervene in the case, a group of Moscow-based American reporters said, "The actions against Mr. Daniloff are an attempt to intimidate every member of the media community in Moscow. They hamper us in performing our professional responsibilities, threatening the Helsinki accords of 1975 which were signed by the Soviet Union."

The potential effects on U.S.-Soviet relations are even more profound, said a detailed summary meeting would diminish the momentum of the media campaign in Moscow. Many Western observers in Moscow view Mr. Daniloff's arrest as contrived and say that it follows more aggressive KGB operations abroad under Viktor M. Chebrikov, who became director of the secret police two years ago.

"It shows that the KGB under Gorbachev does not have a new look and resorts to the same old crude tactics," said a senior Western diplomat.

On Tuesday, officials in Washington said that the White House official had been too inclusive in not ruling anything out. The Washington officials said they would reject a deal that linked the two cases and involved an end to the prosecution of Mr. Zakharov.

On Wednesday, officials in both Washington and Santa Barbara said the new proposal did not alter the basic position since it did not call for an outright exchange.

The officials sought to emphasize that there was no division with the administration on the issue.

A State Department official said in Washington that Mr. Zakharov would still have to stand trial and that Mr. Daniloff would be released without charges under the proposed arrangement. The official said it was far from certain that Moscow would accept the proposal since it was not a straight exchange.

Italy, Finland, Ghana, Nepal and Fiji.

France Welcomes Iraqi

France's minister for external relations, Jean-Bernard Raimond, said in Paris that two Iraqi students, whose return to France was being demanded by Muslim extremists holding French hostages in Lebanon, were free to return whenever they liked. The New York Times reported.

Mr. Raimond, whose statement seemed aimed at indirectly reassuring the kidnappers that at least one of their demands was being met, said that visas had been issued for the two students to resume their studies at the University of Paris in the fall.

On Tuesday, the Islamic Jihad, a Muslim fundamentalist group, renewed its threat to kill the hostages unless France ensured the return of Hassan, Fawzi, 38, and Hassan Khatir Edine, 36.

They had been expelled to Iraq in February after police arrested them. They were among 64 people picked up in a dragnet following terrorist bombings in Paris.

Human rights groups complained that they were to be put to death in Baghdad, but they were granted amnesty after France intervened in their behalf.

Foreign Minister Tariq Aziz of Iraq said Thursday at a meeting of the Nonaligned Movement in Harare, Zimbabwe, that "no one is stopping them from returning to France," Agence France-Presse reported. He continued: "They have been authorized to leave Iraq when they wish; it's up to them."

Relations between the French and the Syrian-backed Assad, which is headed by Lebanon's justice minister, Walid Beir, have since been repaired. But the 5,800-man UNIFIL force has lately been harassed by Shiite extremist factions allied with Iran.

UNIFIL includes troops from France, Ireland, Norway, Sweden,

and the Syrian-backed Assad, which is headed by Lebanon's justice minister, Walid Beir, have since been repaired. But the 5,800-man UNIFIL force has lately been harassed by Shiite extremist factions allied with Iran.

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Jumbo Jet's Forced Landing On Midway Turns Into Lark

The Associated Press

MIDWAY ISLAND — A jumbo jet made an emergency landing on Midway this week and remained grounded because it did not have a fire extinguisher aboard.

The passenger seemed delighted to be stranded on this remote U.S. island in the Pacific that was the center of heavy fighting in World War II. They swam, took pictures and bought souvenirs as they waited for an airlift from Midway, a national wildlife refuge known for its goose herds. The 2-square-mile island 1,300 miles (2,000 kilometers) northwest of Honolulu is uninhabited except for a U.S. Navy base.

A Northwest Airlines jetliner carrying 339 people from Tokyo to Honolulu on Wednesday landed on the island when a cockpit warning light indicated a fire in the cargo hold. But after the plane landed, the crew discovered there was no fire. The Boeing 747 could not return for its goose herds. The 2-square-mile island 1,300 miles (2,000 kilometers) northwest of Honolulu is uninhabited except for a U.S. Navy base.

The airline chartered a plane to fly two new extinguishers and mechanics to Midway from Honolulu to check the cockpit warning alarm. The mechanics checked the jumbo jet's circuitry and it took off early Thursday.

The navy maintains a small base on Midway manned by about 200 people. The base includes a meteorological station and a staging area for maritime patrol aircraft.

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INSIGHTS

The Faces of Latin Debt

The extent and the gravity of the Latin American debt crisis have been recounted in statistics, in stories on the conflicts between the debtor nations and their creditors and in reports on the debates between beleaguered governments and the international agencies that press austerity on them.

But there is another face to the debt crisis, a local, grass-roots expression. All over the continent, signs of scarce, deteriorated or unfinished public works are evident amid the loud demand for more and improved facilities for transportation, sanitation, health care, education, communication and energy.

And all over Latin America, austerity

has meant reducing or holding firm on the broad variety of public expenditures that have kept the cost of living artificially within reach of the poor.

As subsidies have dropped, prices of basic necessities — food, electricity, train fares — have risen.

Countries are caught in an inescapable cycle. Because they devote so much of their savings to debt service, their ability to invest is undercut, and so, therefore, are their chances for growth. Last year, interest payments on debt consumed from 11 percent (in Guatemala) to 60 percent (in Bolivia) of revenues earned from exports. Two Washington Post correspondents

DEBT IN LATIN AMERICA				
Size of Foreign Debt in Billions of Dollars in 1985				
COUNTRY	1980	1985	% Change	Interest Payments on Foreign Debt as a Percentage of Export Earnings in 1985
ARGENTINA	\$50.0	64.5	+29%	15%
BOLIVIA	12.2	60.9	+500%	66%
BRAZIL	101.9	124.2	+22%	30%
CHILE	19.9	46.5	+133%	23%
COLOMBIA	7.5	23.0	+207%	10%
ECUADOR	2.1	14.0	+567%	33%
EL SALVADOR	2.1	14.0	+567%	33%
GUATEMALA	2.1	14.0	+567%	33%
HONDURAS	2.1	14.0	+567%	33%
MEXICO	90.7	170.0	+88%	14%
NICARAGUA	4.4	17.0	+286%	7%
PANAMA	1.1	4.4	+300%	7%
PARAGUAY	1.9	13.0	+584%	34%
PERU	10.0	34.5	+245%	22%
URUGUAY	4.9	28.5	+482%	32%
VENEZUELA	30.5	44.0	+44%	14%

The figures correspond only to the central government debt and exclude investment by state-run enterprises.
SOURCE: United Nations Economic Commission for Latin America
Today/Washington Post

recently examined the human impact of debt-enforced austerity in Argentina and Mexico. These are their reports.

In Buenos Aires, Rapid Deterioration as Investment Dries Up

By Bradley Graham

Washington Post Service

BUENOS AIRES — It is Monday morning, the busiest time of the week at the Pedro E. de Larrea pediatric hospital in Buenos Aires. Children and teenagers from all over the city are being treated, and the waiting rooms are crowded.

As an economy measure, the doctors employ reusable metal tongue depressors to examine patients' mouths. More than half a million consultations were carried out last year at the hospital. "We are overcrowded in all areas," said the hospital director, Jorge Noorda Escobar. "There is no privacy here, no more space. The pipes often burst. We lack certain equipment, particularly scanners. And the number of patients keeps rising."

A giant new pediatric hospital with sophisticated equipment has been under construction since the late 1970s. But the facility will cost twice as much to operate in terms of medical personnel per bed than other Argentine hospitals, and government officials are wrangling over whether the municipality or the federal government will pick up most of the bill. In the meantime, \$7 million needed to complete equipment purchases for the new hospital failed to make the budget.

Nowhere has the fall in government investment been as severe this decade as in Argentina, according to figures compiled by the United Nations Economic Commission for Latin America. Here, central government investment dropped 85 percent, in real terms, between 1980 and 1985.

"When you subtract what's necessary to cover personal costs, basic administrative expenses and interest on the debt, there isn't much money left for investment," said Mario Broderson, Argentina's secretary of finance, who does many of his calculations on a desk-top calculator that was a gift from Chilean, a leading U.S. creditor.

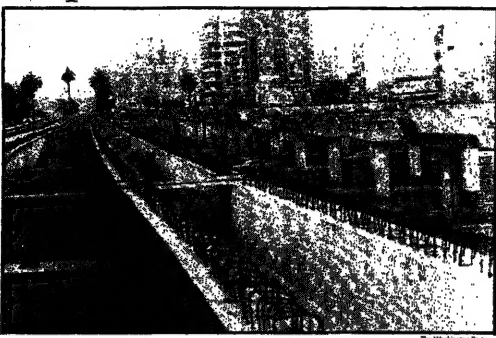
THAT BUDGET equation is not very flexible. Personal costs, for instance, cannot be easily trimmed by laying off bureaucrats, since the depressed private sector is in no condition to absorb laid-off workers. And unemployment insurance is minimal at best.

Not only debt payments but also drastically — at least no way has been found up until now to do this without an international crisis.

With their most substantial expenditures thus generally unimpaired, export revenues down as a result of low world commodity prices and tough international competition, and few new foreign loans coming in, debtor countries have had little choice but to slash investments to try to reduce fiscal deficits and control inflation.

The investments that survived have gone for export-promotion and import-reduction projects. Dropped were health, education and housing programs.

"There has been a substantial shift in both public and private investment toward facilitating import substitution and exports," said Andres Borel, director of the UN Economic Commission for Latin America's economic development division, headquartered in Santiago, Chile. "This has meant giving higher priority



Construction stopped as money ran out for a new highway system in Buenos Aires.

to building roads and roads over such nontradable goods as housing and schools.

In its latest economic progress report on Latin America, the Inter-American Development Bank said that the reduction in government spending in social sectors is of particular concern.

"The effects are not only regressive in terms of income distribution but also have a long-lasting effect on past gains achieved in social indicators," said Broderson.

But, the bank noted, increased spending on health, sanitation and education is not likely in the near future, though some Latin American countries are already trying to free more resources for these sectors.

Norberto Charovsky, whose mind often dwells on the miseries of the poor, said he is not optimistic about anything he is doing down there. He is chief planner at the Public Sanitation Ministry, the oldest utility in Argentina. He says the capital's piping system is pushing its limits.

"We desperately need renovation work," said Charovsky, surrounded in his office by colorful maps of the city. "Every year, we have to replace a number of pipes that burst goes up. This city is in danger of becoming without potable water."

THE LAST major pipe overhaul in central Buenos Aires occurred in the mid-1970s. A main sewer line which runs along the River de la Plata is more than 100 years old in some sections.

Continuation of the city's underground water table is on the rise, endangering millions of people across the city. And the city's water supply, the central system, still draw their water from wells.

But President Raul Alfonsín's administration has told the sanitation works not to expect any money beyond anybody's ability to repay.

Most of the money has come from multilateral lending institutions, such as the International Monetary Fund, and a web of U.S., European and Japanese private banks. With a stake in keeping the system intact and interest payments flowing, these lenders have renewed loans and extended terms of credit far beyond the point where, if the borrower were buying a car instead of running a country, the repossessors would already have moved in.

The result, however, has been additional debt and additional interest payments. Brazil, with \$105 billion in foreign loans outstanding, is the largest debtor in the world. But Mexico will surpass it next year, economists here estimate, because in order to keep up payments on its \$98 billion in loans, last month Mexico negotiated a \$12 billion package of new loans.

The new loans were hailed as good news in Mexico City, where President Miguel de la Madrid was making the most of the moment. But many here are not sure about Mexico's loss of oil revenues.

BY FILLING up such outside financing, Mexico recently had largely shielded its 80 million inhabitants, particularly the poor among them, from the full impact of their economic situation.

But the strings attached to these loans have begun to tighten and are likely to tighten more in the months ahead. So here in Tlaxcala, although nobody thought about it at the time, the loan package has turned out to bring bad news along with the good for Maria Mendizola and her neighbors.

In Tlaxcala, one thing that happened after the \$12 billion loan deal was completed was that the price of tortillas jumped in one day from 45 to 80 pesos a kilo from about 3 cents to 5.6 cents a pound. Since tortillas figure prominently on the menu of the cousin Maria Mendizola runs with her sister Josefina and their mother, the price of lunch went up and the number of customers went down.

"Everything is going up, so we have to raise our prices too," she explained. "And that is when people stop coming. The peasants (bringing produce to the market) used to come a lot. Now they don't show up anymore."

Across the alley, where Xavier Cortez and a half-dozen other entrepreneurs make the tortillas, the explanation was that nothing could be done. The government authorized an increase in tortilla prices because the price of subsidized corn recently rose, they said.

The next tortilla price change may be more than 100 percent if market rumors are to be believed.

Silvestre Cortez, a food distribution official at the local outlet for the government-owned National Company of Popular Subsistence, said subsidized corn had risen from 223 a ton to 365 a ton about four months ago. Officials at the Budget and Planning Ministry in the capital said this was because, as Mexico struggled to reduce budget expenditures to meet its loan requirements, it could no longer make rising production and transport costs with increased subsidies.

MARIO Rodriguez, the 36-year-old synthetic fiber worker, said tortillas are not the only thing going up. As he showed around the Tlaxcala Municipal Market with his wife and daughter, he noted the meat that cost about 50 cents a pound several months ago now costs more than a dollar.

"We can get along with the eating part," he said. "But there's nothing left for clothes. There's nothing left for shoes."

Mr. Rodriguez said he and fellow workers at the private fiber plant received a 30 percent pay raise in April and another 25 percent raise in July. But the bank of Mexico reported recently that those increases were matched or surpassed by price rises in basic food products, which in some cases amounted to 100 percent in six months.

General inflation has reached nearly 100 percent a year, according to the official calculations. Some private economists have predicted it will be 150 percent by the end of the year, straining the government's ability to control it while at the same time making debt payments worth 18 percent of the gross domestic product.

Antonio Flores, 44, who runs a bicycle sales and repair shop just off the tree-shaded town square here, said prices for bicycle parts, particularly imported items, have risen so fast in recent months he has been unable to follow the spiral.

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Public university equipment and construction worth \$145 million; road repairs for \$150 million; a natural gas pipeline between Neuquen in southeastern Argentina and Buenos Aires for \$140 million; replacing railroad cars, many built in the 19th century, and the renovation of existing tracks at an estimated price of \$50 million; exploration and production of petroleum by the state-run oil company, to cost \$150 million; a program to eradicate hook-and-mouth disease and other endemic animal illnesses, which would cost \$27 million.

HOW decisions are made to pay for some projects and reject the majority of requests is a process that government officials find hard to define exactly. It seems to be a combination of economic analysis, political play and blind chance.

"It's really a mixture of rational criteria and arbitrary decisions," Miguel Bolivar, director of the national budget office, said.

Above the streets of central Buenos Aires stretch twisted thickets of telephone lines, thousands of them strung between buildings. These unsightly tangles are the most evocative image of the Argentine telephone system, which is run by the National Telephone Co., or Enel.

Enel's creation in the late 1940s, Enel has been plagued by overstaffing, political upheavals, chronic deficits and poor investments that have allowed a steady deterioration in national communications.

As a result, Argentina has fewer than 3 million functioning telephones, or about 9 for every 100 citizens. In some provincial cities, telephone exchanges date to 1929. Nationwide, the backlog of requests for phone lines topped 1.5 million last year.

Enel is a natural product of Argentina's turbulent modern history. Because of coups and frequent government changes over the last 30 years, its managers have lasted an average of little more than a year.

Political patronage swelled the company's payroll to perhaps twice its necessary size, while chronic inflation in the 1970s and early 1980s pushed up its revenues.

Under the military regimes that preceded Mr. Alfonsín's election in 1983, the phone company was heavily in debt to private satellite links and international phones for privileged customers.

But the modern electronic switching equipment purchased then did little for basic improvements in the system.

To finance needed investment and clear the backlog of requests for new phones, Enel formed a subsidiary in 1979, Enel Telecom, to sell payphones. Last year, it intended to charge new users an installation fee ranging from \$750 to \$2,500.

"I hadn't been to Mexico City to buy stocks for a while, and when I went in the other day, I saw that I had been selling things for less than I have to pay for them," he said.

The result is that Mr. Flores now has to charge considerably more for his goods and fewer customers can afford to buy them. He said: "To make up the difference, Mr. Flores keeps the shop open for longer hours for repairs and has recruited his 15-year-old son José Antonio to help staff it."

In negotiations with the banks, the government also has committed itself to selling off unprofitable state-owned businesses, even at the price of throwing people out of work in an economy where unemployment and underemployment have risen to 50 percent. More than 8,000 employees immediately lost their jobs when the Fundadores steel mill in Monterrey closed down last May.

Mr. Cruz, for example, said he was working as a mason on a government-funded housing project until the work suddenly stopped. He then got a job guarding the construction site, forlorn and incomplete on a hillside above town.

An official at the Housing Ministry's local office said the project was temporarily halted due to the kind of budget cutbacks that are good news to bankers but bad news for Mr. Cruz.

The government oil company Mexico Petroleum said this month raised gasoline prices from 54 cents to 77 cents a gallon. Although this left the Mexican prices well below U.S. or European levels, it represented a multimillion-dollar savings for the government treasury and an added expense for the millions of Mexicans who buy gas or had to pay higher bus fares.

Blaz Nicheo and Maximino Gutierrez complained, for example, that the gasoline price rise led to fare increases last week from 120 to 150 pesos on the bus route between their nearby village and the government-owned battery factory where they work. The change more than wiped out a recent two-peso-a-day pay raise.

"We have become your slaves," Mr. Gutierrez added in a roadside conversation with a U.S. visitor. "Our president is going up there and getting more and more indebted, asking for more and more dollars."

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Symbol	Vol.	High	Low	Last	Chg.
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Apple	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Microsoft	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Oracle	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Novell	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Lotus	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
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Ford	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4

NYSE Rises 38.38 to a Record

Compiled by Our Staff From Dispatches
NEW YORK—Prices on the New York Stock Exchange surged ahead to record highs Thursday, propelled by a wave of buying by professional program traders and revived enthusiasm for oil stocks. Trading was very heavy. The Dow Jones industrial average, scored 38.38 points to 1,919.71 after a 10.97-point gain on Wednesday. The previous record was 1,909.03 on July 2.

It was the fifth-largest point gain recorded by the average.

Advances outnumbered declines by 3-1 ratio. Volume totaled about 189.42 million shares, up from 154.51 million on Wednesday.

Prices were sharply higher on the American Stock Exchange, where at 12:55 P.M. the number of shares traded so far this year surpassed the exchange's annual record volume of 2.1 billion.

Analysts said rising prices for stock-index futures caused a rally by sophisticated traders to sell the futures and buy individual stocks in the strategy known as program trading.

In addition, they pointed to heavy demand for energy issues on renewed optimism for oil prices. Takeover news and speculation also helped stir investor interest.

Many Wall Street observers were looking ahead to Friday's report by the Labor Department on U.S. employment for August.

If the data show continued weakness in key areas of the economy, many economists believe the Federal Reserve may decide soon to ease credit conditions once more. That, in turn, would probably exert new downward pressure on open-market interest rates, which have risen in the past couple of days.

Insider Guilty Pleas

The Associated Press
NEW YORK—Two former investment bankers who helped Dennis R. Levine carry on the biggest insider-trading plea yet uncovered pleaded guilty to criminal charges Thursday and pledged to cooperate with investigators.

Ira R. Sokolow, 32, a former vice president at Shearson Lehman Brothers Inc., and David Brown, 31, who worked at Goldman, Sachs & Co., waived indictments as part of a plea bargain. Terms were not disclosed.

Mr. Sokolow pleaded guilty to one count each of securities fraud and income-tax evasion, while Mr. Brown pleaded guilty to one count each of securities fraud and mail fraud. Each count carries a possible five-year prison sentence and \$500,000 fine.

Retail stocks, responding to good August sales numbers, and provided by news Thursday morning of the proposed merger between Allied Stores and the Canadian retail chain, Campen, posted heavy gains.


Allied rose 10 1/4 to 59 1/4, J.C. Penney 2 1/4 to 78 1/4, Federated Department Stores 1 1/4 to 49 1/4, Kmart 1 1/4 to 52 and Sears 1/4 to 44 1/4.

Analysts said vigorous back-to-school sales in the last days of August seem to promise improved sales for major U.S. retail chains in the remaining months of 1986.

Analysts said many stocks that would benefit from renewed growth in the economy joined in Thursday's rally.

(AP, UPI, Reuters)

Symbol	Vol.	High	Low	Last	Chg.
IBM	110 1/4	110 1/4	110 1/4	110 1/4	+1 1/4
Apple	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Microsoft	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Oracle	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Novell	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Lotus	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
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Chrysler	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
General Motors	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Ford	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Chrysler	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
General Motors	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Ford	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4



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Symbol	Vol.	High	Low	Last	Chg.
IBM	110 1/4	110 1/4	110 1/4	110 1/4	+1 1/4
Apple	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
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General Motors	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4
Ford	100 1/4	100 1/4	100 1/4	100 1/4	+1 1/4

Thursday's **NYSE** Closing

Tables include the nationwide prices up to the close on Wall Street and do not reflect late trades elsewhere.

12-month High Low 52-Week High Low

(Continued)

Symbol	Price	Change
IBM	155.00	+1.00
AT&T	48.00	+0.25
GE	35.00	+0.12
Westinghouse	28.00	+0.10
Rockwell	45.00	+0.15
Boeing	75.00	+0.50
McDonald's	22.00	+0.05
Wal-Mart	18.00	+0.02
Target	15.00	+0.01
Home Depot	12.00	+0.01
Lowes	10.00	+0.01
Walmart	8.00	+0.01
Kmart	7.00	+0.01
Walgreens	6.00	+0.01
CVS	5.00	+0.01
Wal-Mart	4.00	+0.01
Target	3.00	+0.01
Home Depot	2.00	+0.01
Lowes	1.00	+0.01
Walmart	0.50	+0.01
Kmart	0.25	+0.01
Walgreens	0.10	+0.01
CVS	0.05	+0.01

Symbol	Price	Change
Johnson & Johnson	65.00	+0.25
Pfizer	40.00	+0.10
Merck	35.00	+0.15
Abbott	30.00	+0.05
Amgen	25.00	+0.10
Novartis	20.00	+0.05
Roche	15.00	+0.02
Schering	12.00	+0.01
Glaxo	10.00	+0.01
Novartis	8.00	+0.01
Roche	7.00	+0.01
Schering	6.00	+0.01
Glaxo	5.00	+0.01
Novartis	4.00	+0.01
Roche	3.00	+0.01
Schering	2.00	+0.01
Glaxo	1.00	+0.01
Novartis	0.50	+0.01
Roche	0.25	+0.01
Schering	0.10	+0.01
Glaxo	0.05	+0.01

Symbol	Price	Change
Amgen	25.00	+0.10
Novartis	20.00	+0.05
Roche	15.00	+0.02
Schering	12.00	+0.01
Glaxo	10.00	+0.01
Novartis	8.00	+0.01
Roche	7.00	+0.01
Schering	6.00	+0.01
Glaxo	5.00	+0.01
Novartis	4.00	+0.01
Roche	3.00	+0.01
Schering	2.00	+0.01
Glaxo	1.00	+0.01
Novartis	0.50	+0.01
Roche	0.25	+0.01
Schering	0.10	+0.01
Glaxo	0.05	+0.01

U.S. Futures Via The Associated Press

Sep. 4

High Low Open High Low Close

(Continued)

Grains

Wheat (CBOT)

Chicago, Dec. 1986

High 1.15 Low 1.10 Open 1.12 High 1.15 Low 1.10 Close 1.12

Volume 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Food

Sep. 4

High Low Open High Low Close

(Continued)

Coffee (ICE)

London, Dec. 1986

High 1.15 Low 1.10 Open 1.12 High 1.15 Low 1.10 Close 1.12

Volume 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

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Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Metals

Sep. 4

High Low Open High Low Close

(Continued)

Copper (COMEX)

London, Dec. 1986

High 1.15 Low 1.10 Open 1.12 High 1.15 Low 1.10 Close 1.12

Volume 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

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Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Industrials

Sep. 4

High Low Open High Low Close

(Continued)

Aluminum (COMEX)

London, Dec. 1986

High 1.15 Low 1.10 Open 1.12 High 1.15 Low 1.10 Close 1.12

Volume 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

Unsettled profit 100,000

Unsettled loss 100,000

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BUSINESS ROUNDUP

Party rife dan

Digital Equipment Corp. Unveils IBM-Compatible

THE ASSOCIATED PRESS
NEW YORK — Digital Equipment Corp. on Thursday announced a new line of computers, including a powerful personal computer, by introducing an IBM-compatible machine that communicates easily with Digital's own VAX line of computers.

Allied-Lyons Says O&Y Pact Delayed

TORONTO — Allied-Lyons PLC said Thursday that a formal announcement on an agreement between the company and Oxyphor & Co. to acquire the latter's pharmaceutical business would be delayed until Friday at least. The announcement would resolve a dispute over the sale of the company's Oxyphor & Co. subsidiary, Walker Resources, last March. The company said it was not clear when the deal would be completed, but it was expected to close by the end of the month. The deal would value the company at \$1.5 billion, a 50 percent premium over its current market value. The company said it was not clear when the deal would be completed, but it was expected to close by the end of the month. The deal would value the company at \$1.5 billion, a 50 percent premium over its current market value.

Harper Names Thomas Chairman

By Arthur Higbee
THE ASSOCIATED PRESS
PARIS — Brooks Thomas, president and chief executive officer of Harper & Row Publishers Inc., has been named to the additional position of chairman. Some time in the next few years, he said, he will appoint a new president. Mr. Thomas, 54, succeeds William H. McGraw, who has been chairman since 1971. Mr. Thomas has been with Harper & Row since 1971, where he is director of the Center for Business and Government at the Kennedy School and Henry Ford Institute. He will remain a director of the company. Mr. Thomas is a graduate of Yale University and holds a law degree from the University of Pennsylvania. He has been with Harper & Row since 1971, where he is director of the Center for Business and Government at the Kennedy School and Henry Ford Institute. He will remain a director of the company.

Paris Announces More Changes at State-Owned Banks

PARIS — The French cabinet has announced a second list of appointments to head state-owned banks in preparation for the government's sweeping privatization program to be launched later this year. A first round of major changes in the heads of France's state banking, insurance and industrial groups was announced at the end of July, when the heads of 12 of the 25 major banks were replaced and the other 13 confirmed in their posts. The new list, announced Wednesday, makes 12 changes, while 14 chairmen remain in place and the chairman of four major banking groups on the privatization list automatically become members of the banking committee. Among the changes, a former Banque de France governor, René de la Forêt, named in July as the new head of the Caisse d'Allocations Familiales, becomes head of CFC de Paris and Banque de l'Union Européenne.

Years Ago

Through a series of... (text continues with historical context)

Olivetti to Issue \$356 Million in Warrant Bonds

By Juris Kaza
International Herald Tribune
HELSINKI — Oy Nokia AB, Finland's largest company, is undergoing a radical transformation from a forest products and industrial concern to one increasingly dominated by electronics and information technology. The change began in 1983 when Nokia acquired the Finnish color television maker, Salora, and the Swedish television and personal computer company, Luxor. The rapid growth of mobile-telephone sales starting in the early 1980s has also played a part. Last year, sales in the electronics division totaled 2,777 billion marks (\$366.2 million), up 40 percent from 1984, while sales of Salora-Luxor consumer electronics products totaled 1,974 billion marks. The warrant would be exercisable over a five-year period. Olivetti set an estimated 10 percent target for the company's share price for Sept. 25 to approve the bond issue. Following shareholder approval, a first tranche of warrant-bearing bonds for about 350 million marks would be issued in the next few months, Olivetti said. "These resources are intended to finance a new phase of growth, with significant input in capital, commercial and research investments and through new opportunities arising on the rapidly changing market," the company said.

Company Notes

ACI International Ltd. of Australia has signed documents stating its intention to acquire Bismarck, an advanced-technology company that would carry 100 passengers, Boeing said in Seattle. The merger, though, gave Nokia an entry into the market for high-resolution monitors used for television and computer screen displays with sales of 250,000 annually, Mr. Kozaki said. He believes that the monitors will become an increasingly important product. In the future, it's going to be impossible to have your living room full of screens, so my vision is to have a living room full of screens, so my vision is to have a living room full of screens.

Concern Shreds Critical Book

THE ASSOCIATED PRESS
TOKYO — Kasebo Ltd., a major textile and pharmaceutical company, has bought and destroyed all 15,000 published copies of a book criticizing its board chairman, Junji Ito, who also is the chairman of Japan Air Lines, Kasebo officials said. The book, "Who Has Exploited the JAL Accident?" reportedly was critical of Mr. Ito's labor-management policies in the aftermath of the crash Aug. 12, 1985, of a JAL Boeing 747 that killed 520 people in the worst single-plane disaster in history. The company said about 10 million yen (\$64,700 to Seizan Shobo Co., the publisher. There was no indication whether the publisher agreed not to print more copies. Kasebo destroyed the books Wednesday with shredders, a company spokesman said Wednesday, because of "one-sided and factually incorrect" passages about Mr. Ito.

Insurance Group

NOTICE OF INTERIM DIVIDEND
The Executive Board announces that, with the approval of the Supervisory Board, an interim dividend of Dfls. 1.30 per Dfls. 5.00 ordinary share will be paid for the financial year 1986. For holders of ordinary shares, coupon number 12 of their securities will be payable at the payment offices of the banks mentioned below with effect from 24 September 1986: Amsterdam-Rotterdam Bank N.V., Algemene Bank Nederland N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Nederlandsche Midlandstadsbank N.V., Pierson, Holding B.Pierson N.V., Bank Mees & Hope N.V.

Nokia Speeds Into High-Tech, Leaving Its Old Image Behind

By Juris Kaza
International Herald Tribune
HELSINKI — Oy Nokia AB, Finland's largest company, is undergoing a radical transformation from a forest products and industrial concern to one increasingly dominated by electronics and information technology. The change began in 1983 when Nokia acquired the Finnish color television maker, Salora, and the Swedish television and personal computer company, Luxor. The rapid growth of mobile-telephone sales starting in the early 1980s has also played a part. Last year, sales in the electronics division totaled 2,777 billion marks (\$366.2 million), up 40 percent from 1984, while sales of Salora-Luxor consumer electronics products totaled 1,974 billion marks. The warrant would be exercisable over a five-year period. Olivetti set an estimated 10 percent target for the company's share price for Sept. 25 to approve the bond issue. Following shareholder approval, a first tranche of warrant-bearing bonds for about 350 million marks would be issued in the next few months, Olivetti said. "These resources are intended to finance a new phase of growth, with significant input in capital, commercial and research investments and through new opportunities arising on the rapidly changing market," the company said.

Offshore Investment

What Churchill said about the Russians is no longer true about offshore finance
There are now more than 40 offshore financial centers in the world, and the investor who knows more than one or two of them knows a great deal more than his neighbor. For most people, offshore finance remains a mystery, a word that conjures up images of a hidden world, a world where money is made and hidden away. The offshore world is now to be made plain, with the publication of a new feature in the international magazine, *Offshore Investment*. The first issue is out now. The only magazine of its kind anywhere, and with correspondents and professional consultants in each of the principal offshore centers — from Switzerland to Hong Kong, from Gibraltar to the Bahamas, from the Irish Sea to the Pacific, *Offshore Investment* is the investor's guide to offshore finance. What is on offer in each of the world's offshore jurisdictions? *Offshore Investment* team of international lawyers will tell you. Which major offshore centers have just promised to reveal all? Uncle Sam? *Offshore Investment* knows. Buying a house overseas? *Offshore Investment* has a better way to do it. The first edition is available to professional, and corporate subscribers only. Can you afford not to know what is happening?

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THE CASE FOR SOUTH AFRICAN AIR LINKS

Mr G D van der Veer, Chief Executive, South African Airways, talks to David Carr, Editor of the "Sunday Times Business Times"
The most of the exports of the several southern African states, and for example, handles 90% of Zimbabwe's imports and exports. Damage to SAA would therefore affect the entire southern African economy. SAA chief executive, Gert van der Veer, says that SAA will not participate in any boycotts of its own against South Africa's neighbors as the airline does not believe in sanctions or boycotts but rather in co-operation to the benefit of all. We have been training and maintaining for the airlines of neighboring states without regard to politics through several traumatic changes of government in those states and we shall go on doing so. But an international shut-out may threaten our ability to render these services. The South African route is one of the most lucrative for several of the world's major airlines — particularly now that the south African route is so depressed. Several air links with South Africa could thus be lucrative to a number of big airlines, which are already only marginally profitable. Not one major airline flying to South Africa has expressed any kind of support for the termination of air links with South Africa. It goes without saying that Boeing and Airbus, not to mention engine suppliers such as GE and Pratt & Whitney, which have done business worth billions of dollars over the decades, would hardly approve of discrimination against an important customer, which has contributed significantly to jobs in these companies, not to mention technical development. Mr van der Veer contends that politicians victimizing SAA are interfering with an important basic individual right — the right to freedom of movement of the individual. After decades of immigration from many countries to South Africa is highly cosmopolitan. It has been estimated that 800,000 South Africans can claim British passports, while some 600,000 South Africans are Portuguese descent. There are also large German, Dutch, Greek and Chinese communities, who have literally millions of kind and kin abroad. The Indian community numbering about 800,000 is the biggest in the world. Likewise, there are thousands of South Africans living in the UK, Europe, the US and Australia. Severing air links with South Africa would amount to gross interference in millions of cross-border relationships. Some politicians are trying to terminate SAA's rights to fly into their countries with as little as 10 days' notice in the case of bilateral agreements. There are legal implications, for

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